

UNITED STATES OF AMERICA  
POSTAL REGULATORY COMMISSION  
WASHINGTON, DC 20268-0001

Annual Compliance Report, 2020

Docket No. ACR2020

CHAIRMAN'S INFORMATION REQUEST NO. 11  
AND NOTICE OF FILING UNDER SEAL

(Issued February 4, 2021)

To clarify the basis of the Postal Service's FY 2020 *Annual Compliance Report* (ACR), filed December 29, 2020,<sup>1</sup> the Postal Service is requested to provide written responses to the following questions. Answers should be provided to the individual questions as soon as they are developed, but no later than February 11, 2021.

**Competitive Products**

1. Please see Attachment, filed under seal.
2. Please see Attachment, filed under seal.
3. Please see Attachment, filed under seal.
4. Please see Attachment, filed under seal.
5. Please see Attachment, filed under seal.
6. Please see Attachment, filed under seal.

**Marketing Mail Products**

7. The Postal Service reports that the FY 2020 cost coverage for USPS Marketing Mail Carrier Route fell to 96.0 percent. See FY 2020 ACR at 11. Please provide a plan to improve the cost coverage of USPS Marketing Mail Carrier Route to a

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<sup>1</sup> United States Postal Service *Annual Compliance Report*, December 29, 2020 (FY 2020 ACR).

compensatory level in FY 2021. The plan should detail all specific plans to reduce the USPS Marketing Mail Carrier Route attributable costs, as well as a pricing strategy to ensure adequate revenues for the product to cover its attributable costs in FY 2021.

8. In Docket No. R2021-1, the Postal Service proposed and the Commission approved, a price increase of 3.529 percent for USPS Marketing Mail Carrier Route.<sup>2</sup> Please estimate the impact of the proposed price increase on FY 2021 volume, revenue, cost, and contribution for USPS Marketing Mail Carrier Route. The estimate should use the most recent elasticities provided by the Postal Service to the Commission<sup>3</sup> and support any additional assumptions.
9. In Docket No. R2020-1, the Postal Service proposed and the Commission approved, a price increase of 3.553 percent for USPS Marketing Mail Flats. Order No. 5757 at 20. Please estimate the impact of the proposed price increase on FY 2021 volume, revenue, cost, and contribution for USPS Marketing Mail Flats. The estimate should use the most recent elasticities provided by the Postal Service in the FY 2020 Demand Analysis and support any additional assumptions.
10. In Docket No. R2020-1, the Postal Service proposed and the Commission approved, a price increase of 16.791 percent for USPS Marketing Mail Parcels. Order No. 5757 at 20. Please estimate the impact of the proposed price increase on FY 2021 volume, revenue, cost, and contribution for USPS Marketing Parcels. The estimate should use the most recent elasticities provided by the Postal

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<sup>2</sup> Docket No. R2021-1, Order on Price Adjustments For First-Class Mail, USPS Marketing Mail, Periodicals, Package Services, and Special Services Products and Related Mail Classification Changes, November 18, 2020, at 20 (Order No. 5757).

<sup>3</sup> See Postal Service Econometric Estimates of Demand Elasticity for All Postal Products, FY 2020, January 20, 2021 (FY 2020 Demand Analysis).

Service in the FY 2020 Demand Analysis and support any additional assumptions.

### **Market Dominant Service Performance**

11. The Postal Service has stated “[w]hile the Postal Service recognizes that implementation of the late and extra trips policy had a temporary and unintended impact on service performance in July, after which there was a sharp recovery in August after the Postal Service made the necessary operational adjustments, that issue goes to the Postal Service’s *execution* of the initiative, which we recognize was not as effective as it should have been. It does not go to the decision to reemphasi[ze] operational discipline in the first place.”<sup>4</sup>
  - a. Please explain what lessons were learned by Postal Service management from this disconnect between the intent of the late and extra trips policy and its actual impact on service performance in July and August 2020.
  - b. Please explain what best practices were identified by Postal Service management to ensure that the impact on Market Dominant service performance results due to future operational initiatives related to late and extra trips corresponds with the Postal Service management’s intent.
  - c. Please identify what metric(s) Postal Service management will use to ensure that the impact on Market Dominant service performance results due to future operational initiatives related to late and extra trips corresponds with the Postal Service management’s intent.
12. The Postal Service has stated “[n]one of these routine [*Do It Now*] efforts, if properly implemented, should impact service; rather, their intended effect is to

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<sup>4</sup> United States Postal Service, Office of Inspector General, Report No. 21-014-R21, Deployment of Operational Changes, November 6, 2020, Appendix E Management’s Comments at 2 (emphasis in original), available at: <https://www.uspsoig.gov/sites/default/files/document-library-files/2020/21-014-R21.pdf>.

either enhance the Postal Service's efficiency while meeting service levels, or to improve service." *Id.* (emphasis added).

- a. Please explain what lessons were learned by Postal Service management from this disconnect between the intent of the "Do It Now" efforts and their actual impact on service performance in July and August 2020.
  - b. Please explain what best practices were identified by Postal Service management to ensure that the impact on Market Dominant service performance results due to future operational initiatives similar to the "Do It Now" efforts corresponds with the Postal Service management's intent.
  - c. Please identify what metric(s) Postal Service management will use to ensure that the impact on Market Dominant service performance results due to future operational initiatives similar to the "Do It Now" efforts corresponds with the Postal Service management's intent.
13. The Postal Service states "[t]he COVID-19 pandemic reduced employee availability nationally and in numerous pockets of *hot spots* at different times."<sup>5</sup>
- a. Please specify when and where these "hot spots" occurred in terms of service performance reporting districts.
  - b. Please list districts that reported employee availability below 50 percent in FY 2019 and FY 2020 using the following as an example format:

FY 20XX	District	Employee Availability	Observed Month(s)
	XXXX	XX%	XXXX
	XXXX	XX%	XXXX

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<sup>5</sup> Responses of the United States Postal Service to Questions 1-21 of Commission Information Request No. 1, January 15, 2021, question 1.a. (emphasis added) (Response to CIR No. 1).

14. The Postal Service states that mail volumes for First-Class Package Service increased relative to the same period last year by 77 percent in Quarter 3 and 60 percent in Quarter 4.<sup>6</sup>
  - a. Please describe how this increase impacted the Postal Service's processing procedures.
  - b. Please detail how this increase impacted resource allocation (e.g., human resources or capital resources).
15. Please provide FY 2019 and FY 2020 on-time service performance results for each Market Dominant product and service standard that aggregate results for Quarters 3 and 4 only (the second half of the fiscal year).

### **Special Services Service Performance**

16. The Postal Service states that "[a]ll Special Services achieved the established service targets at the reporting level required in this report, except for Post Office Box [S]ervice...."<sup>7</sup>
  - a. Please confirm that Stamp Fulfillment Services did not achieve its 90 percent on-time performance target in FY 2020.
    - i. If confirmed, please explain all reason(s) FY 2020 on-time performance for this product declined from the level observed in FY 2019 and how the Postal Service plans to improve performance for this product for FY 2021.
    - ii. If not confirmed, please reconcile the FY 2020 reported on-time performance of 79.1 percent for this product with the 90 percent on-time performance target.

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<sup>6</sup> Response to CIR No. 1, question 3.b.

<sup>7</sup> Library Reference USPS-FY20-29, December 29, 2020, PDF file "FY20-29Service Performance Report.pdf," at 27.

- b. Please confirm that Ancillary Services did not achieve its 90 percent on-time performance target in FY 2020.
  - i. If confirmed, please explain all reason(s) that FY 2020 on-time performance for this product declined from the level observed in FY 2019 and how the Postal Service plans to improve performance for this product for FY 2021.
  - ii. If not confirmed, please reconcile the FY 2020 reported on-time performance of 89.6 percent for this product with the 90 percent on-time performance target.

By the Chairman.

Michael Kubayanda